

Message Text

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PAGE 01 PARIS 06395 151116 Z

13

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 SSO-00 NSCE-00 CCO-00

USIE-00 INRE-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-02 INR-09 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-03 RSC-01 AID-20 CIEP-02 SS-14 STR-08 TAR-02

TRSE-00 PRS-01 SAL-01 OMB-01 RSR-01 /165 W

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TO AMEMBASSY BONN IMMEDIATE

SECSTATE WASHDC 8350

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

C O N F I D E N T I A L PARIS 6395

E. O. 11652: GDS

TAGS: ETRD, FR

SUBJECT: REACTIONS OF FRENCH OFFICIALS TO PROPOSED US TRADE
LEGISLATION

ZFF BONN ONLY

BONN FOR MALMGREN AND WORTHINGTON

GENEVA FOR GATT

1. ON MARCH 9, AMB. MALMGREN AND DEPUTY ASST. SECY WORTHINGTON, ACCOMPANIED BY ECON/ COM' L MIN, BRIEFED BERNARD, FINANCIAL AND ECONOMIC ADVISOR TO POMPIDOU: BRUNET, DIR., ECONAFF, MINFONAFF: DE NANTEUIL, CHIEF, ECON COOP SERVICE, DIRECTORATE OF ECONAFF, MINFONAFF: AND FREYCHE, DEPUTY DIR., DREE, MINECON/ FIN, ON PROPOSED TRADE LEGISLATION AT SECY SHULTZ' S REQUEST. THE FRENCH OFFICIALS WERE GENERALLY NON- COMMITTAL, CONFINING THEIR REACTIONS FOR THE MOST PART TO REQUESTS FOR CLARIFICATION OF INDIVIDUAL POINTS. SINCE THEN, HOWEVER, WE HAVE HAD A MORE SUB-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 06395 151116 Z

STANTIVE REACTION FROM BRUNET AND BERNARD.

2. BRUNET SAID HE WAS QUITE UNEASY ABOUT THE PROPOSALS ON SAFE-GUARDS, PARTICULARLY THE FACT THAT RELIEF FROM A SURGE OF IMPORTS WAS BEING REQUESTED REGARDLESS OF WHETHER OR NOT THE SURGE HAD BEEN CAUSED BY A TARIFF CONCESSION AND ALSO THE FACT THAT THE REQUIREMENT TO SHOW IMPORTS AS THE CAUSE OF INJURY TO DOMESTIC FIRMS WOULD BE WEAKER THAN IN THE TEA. HE ALSO BELIEVED THAT SOME OF THE AUTHORITY THE PRESIDENT WAS REQUESTING COULD NOT BE INVOKED WITHOUT VIOLATING GATT RULES. HE WONDERED WHETHER WE PLANNED TO SEEK CHANGES IN THESE RULES. HE SAID THAT THE IMPRESSION HE GOT FROM THE VARIOUS PROVISIONS WHICH HAD BEEN REVIEWED FOR HIM WAS THAT WHAT WE WERE MOST INTERESTED IN WAS WAYS OF RESTRICTING IMPORTS. IF THIS EMPHASIS ON RESTRICTING IMPORTS WAS ADOPTED AS ONE OF THE GUIDING PRINCIPLES OF THE TRADE NEGOTIATIONS, HE FEARED, GIVEN HIS EXPECTATION THAT TARIFF CUTS WOULD BE MODEST, THAT WE WERE UNLIKELY TO END UP WITH ANY NET TRADE LIBERALIZATION AS THE RESULT OF THE NEGOTIATIONS.

3. FINALLY, BRUNET REMARKED THAT THE CUMMULATIVE EFFECT OF DOLLAR DEVALUATIONS SHOULD END OUR TRADE DEFICIT IN DUE COURSE. THIS BEING SO, WHY DID WE ATTACH SO MUCH IMPORTANCE TO TRADE NEGOTIATIONS? ECON/ COM' L MIN REPLIED THAT THIS REMARK SEEMED TO IMPLY A BELIEF THAT THE TRADE NEGOTIATIONS WOULD HELP THE US TRADE BALANCE. HOWEVER, THE FRENCH HAD ALWAYS ARGUED HERETOFORE THAT THE TRADE NEGOTIATIONS WOULD HAVE TO BE CONDUCTED ON THE BASIS OF RECIPROCITY OF CONCESSIONS AND BENEFITS AND, THEREFORE, COULD NOT HELP THE US TRADE BALANCE. WAS HE NOW ARGUING THE CONTRARY? BRUNET SOMEWHAT SHEEPISHLY WITHDREW HIS QUESTION.

4. BERNARD'S REACTION WAS MUCH STRONGER. HE DESCRIBED THE PROPOSED LEGISLATION AS "BRUTAL" AND EXPRESSED CONSIDERABLE CONCERN AT THE VERY BROAD POWERS THE PRESIDENT IS SEEKING TO RESTRICT TRADE. HE SAID THE EC EITHER DID NOT HAVE SUCH POWERS OR WOULD FIND IT DIFFICULT TO USE THEM BECAUSE OF THE NECESSITY FOR THE NINE TO SPEAK WITH A SINGLE VOICE. HE FEARED THAT WITH A MANDATE LIKE THIS, THE US WOULD HAVE A SIGNIFICANT ADVANTAGE IN THE NEGOTIATIONS. WE OBSERVED THAT IT WAS RATHER DIFFICULT TO KNOW WHAT WAS RIGHT. WE WERE TOLD THAT IF WE DID NOT HAVE A MANDATE THERE WOULD BE NO NEGOTIATIONS. NOW WE FOUND THAT IF THE MANDATE WAS TOO STRONG, THIS WAS NOT GOOD EITHER.

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PAGE 03 PARIS 06395 151116 Z

BERNARD REPLIED THAT POWER TO INCREASE PROTECTION WAS NOT THE

KIND OF MANDATE THE EUROPEANS HAD IN MIND. BERNARD ADDED THAT HE WAS PARTICULARLY TROUBLED BY OUR STRONG EMPHASIS ON SAFEGUARDS. HE SAID FRANCE HAD HAD SOME EXPERIENCE WITH SAFEGUARDS IN ITS TRADE AGREEMENTS WITH JAPAN AND KNEW HOW DANGEROUS A WEAPON THAT COULD BE IF NOT USED WITH GREAT RESTRAINT.

5. BERNARD SAID THAT TECHNICIANS IN THE DREE WERE GIVING OUR PROPOSALS CLOSE STUDY, AND HE MIGHT HAVE MORE DETAILED REACTIONS IN A FEW DAYS. HE ALSO SAID THAT A REPORT OF THE BRIEFING HAD BEEN TRANSMITTED TO PRESIDENT POMPIDOU, AND HE MIGHT ALSO BE ABLE TO GIVE US THE PRESIDENT' S REACTION. KUBISCH

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